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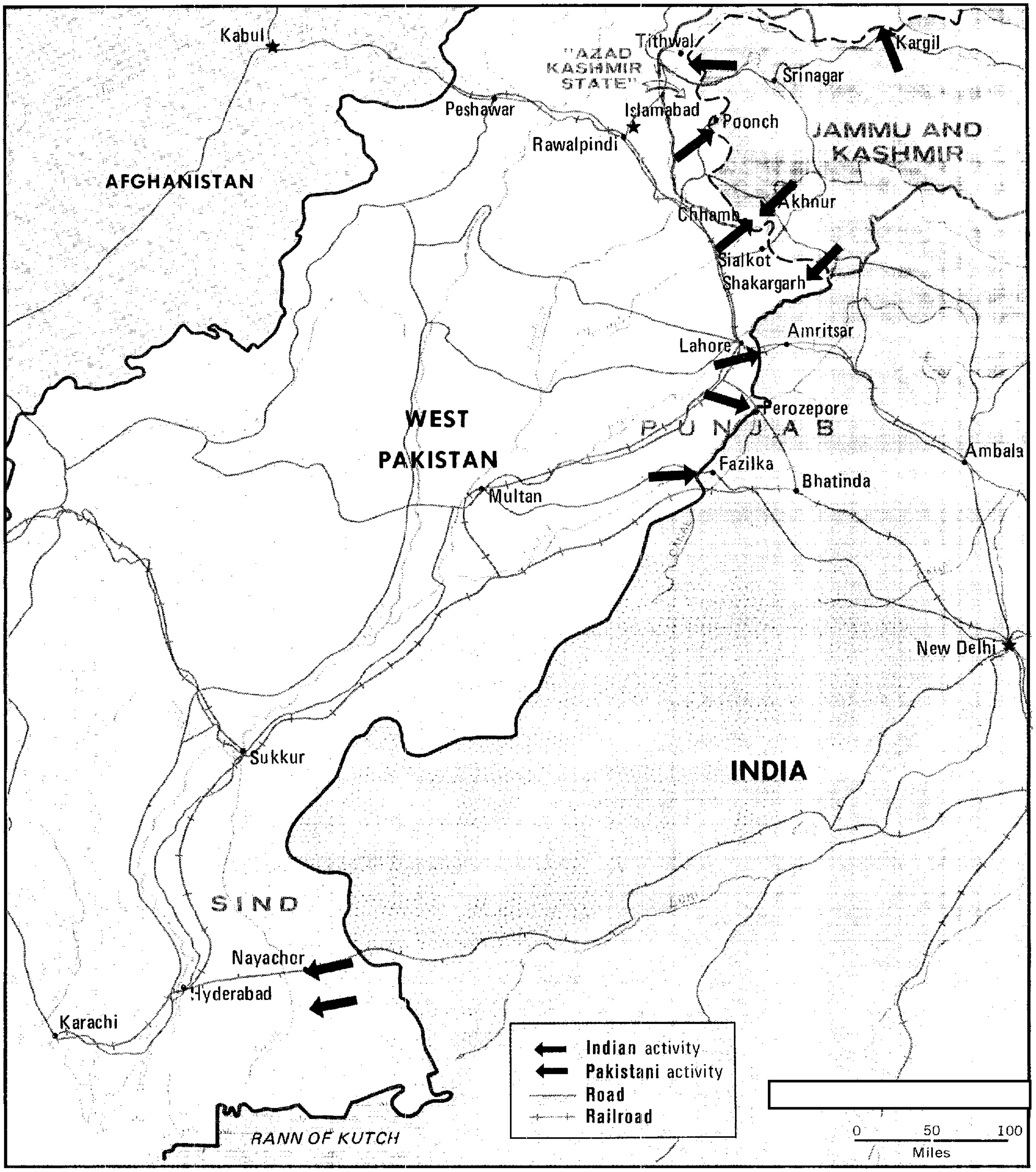

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INDIA-PAKISTAN: Pakistan has not yet indicated whether it will accept a cease-fire on the western front, where a unilateral Indian cease-fire is scheduled to go into effect at 0930 EST today.

Although most of the front in the West was relatively quiet yesterday, heavy fighting continued in the Sialkot sector around the Pakistani town of Shakargarh. Tanks reportedly have been used extensively in the area, and casualties on both sides have apparently been heavy.

In the East, a few isolated Pakistani units, cut off from radio contact with Dacca, were still holding out yesterday, but they are expected to capitulate once they receive word of General Niazi's surrender. Early this morning the Indians claimed that some of these elements had surrendered. In Dacca, US officials report that no one is yet in effective control of the city. Many people there reportedly were being killed and wounded as a result of fighting between Bengalis and scattered West Pakistanis and collaborationists. General Jacob, India's chief of staff in the East, said he will impose martial law as soon as sufficient reinforcements arrive, in order to prevent further bloodletting.

In New Delhi an Indian spokesman said that the new Bangla Desh civil administration would take over today. He added, however, that Indian forces will remain in the area for an indefinite period to help restore "normalcy," rehabilitate public utilities, and repatriate refugees.

At almost the same time yesterday that Mrs. Gandhi announced the news of the surrender of Pakistani forces in the East to a cheering parliament, President Yahya Khan delivered a defiant speech to the nation. The US Embassy in Islamabad believes that the speech could have been designed to lay the groundwork for continuing the war, but that it could also be read as an effort to muffle Pakistan's defeat and begin the painful process of preparing the people to accept the loss of the East and the necessity of terminating the war in the West. [redacted]

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JAPAN: Tokyo is preparing a position on trade liberalization to be offered if the Group of Ten meeting in Washington this weekend is successful.

Prime Minister Sato has appointed State Minister Kimura, the director general of the Economic Planning Agency, to head a task force to draw up responses to US positions put forward in Honolulu last weekend. Inter-ministerial agreement regarding these responses probably will not be reached until the cabinet meets today. Recommendations, however, include significant increases in quotas alloted to US exporters of oranges, citrus juices, and high-quality beef. Further concessions are probably under discussion.

According to US Embassy officials in Tokyo, the concessions are likely to be offered only if it appears the Group of Ten meeting will be successful in solving the world monetary realignment. Japan reportedly fears that any offer it makes now would be accepted by the US and that, if no monetary agreement is reached, further pressure would be applied when Prime Minister Sato meets with President Nixon in San Clemente in early January. This fear is based on events following the US-Japanese meetings in September. At that time the US accepted certain trade concessions offered by Japan but later requested further concessions when no monetary solution was reached. 25X1

ZAMBIA: Parliamentary by-elections scheduled for 20 December are expected to shed some light on the strength of the new opposition United Progressive Party (UPP).

Only 11 of 110 seats are to be contested, but Zambian leaders are anxiously awaiting the outcome of five races where the UPP--whose support comes from tribal groups in northern Zambia--is challenging President Kaunda's ruling United National Independence Party (UNIP). Simon Kapwepwe, a once powerful government leader, bolted UNIP and the cabinet last August to head the UPP, and the by-elections will provide the first test of his own popular support. In the other six constituencies, UNIP is running against the African National congress, an older tribal-based party that has been incapable of seriously challenging UNIP's national control.

Meanwhile, Kaunda is considering the imposition of a one-party state regardless of the election results. Kapwepwe's defection seriously disturbed government leaders, and early this week Kaunda strongly suggested that Zambia must now take this step. Although he has made clear his preference for a single party before, his latest statement is the strongest indication to date that he may ban opposition parties rather than wait for traditional tribal loyalties to disappear.

Kaunda has become increasingly dismayed at the resilience of tribalism and at the bitter tribal factionalism that often plagues UNIP and the government. He also believes that political unity is needed now to help the government combat growing economic ills as well as the security threat posed by white southern African governments.

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MAURITIUS: Prime Minister Ramgoolam's coalition government and Paul Berenger's opposition Mauritian Movement (MMM) are nearing a showdown over Berenger's continuing use of labor action to force the government's resignation.

The MMM has called a general strike among its supporting unions in reaction to a recently adopted restrictive labor law clearly aimed at ending the ten-day old strike among pro-MMM dockworkers. In response, the government is preparing to invoke emergency powers that would allow it to arrest MMM leaders.

The indecisive Ramgoolam, the head of a discredited and divided government, probably still hopes for some sort of compromise with the increasingly powerful MMM. Pressured by his militant coalition partners, however, he might proceed with restrictive measures in an attempt to deprive the MMM of political momentum.

Such action, while hampering the MMM's ability to operate, would nevertheless lead to MMM reprisals of some sort. In any event, it would only postpone the day when the coalition will be forced to make some accommodation with Berenger. 25X1

NOTES

JAPAN: Textile sales to the US are still increasing at a sharp pace despite the agreement of October governing shipments of synthetic and woolen textiles. Last month the value of synthetic yarns, fibers, and fabrics jumped 53 percent over the level of November 1970, while clothing exports increased by about 23 percent. Part of the increase reflects higher dollar prices stemming from yen appreciation, but Japanese suppliers apparently have boosted shipments sharply while the final details of Tokyo's agreement with the US are being worked out. Although some further gains are likely to be made, the growth in textile sales will no doubt slow sharply in the coming months as Tokyo prepares to enforce the textile agreement. [redacted]

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CANADA: Despite the new US economic policy, Canadian exports to the US in November--$1.1 billion--set an all-time monthly high. Automotive products, oil, gas, newsprint, lumber, and aluminum accounted for much of the increase. The last two items are subject to the US surcharge. Total Canadian exports to the US for the period January through November were about $11 billion, while imports amounted to almost $10 billion. For the same period of 1970, Canada's trade surplus with the US was $830 million. Canada's global exports in 1971 thus far have exceeded imports by about $2 billion compared with $2.5 billion last year. [redacted] 25X1

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ROMANIA-EGYPT: Bucharest has agreed to provide Egypt with $100 million in credit, according to a Cairo broadcast. The announcement, which also mentioned a $30-million trade agreement, did not specify projects to be undertaken. Romania previously had extended $52 million in credit, of which $28 million remains to be used. Bucharest, the only East European capital recognizing Israel, has been trying to improve its relations with the Arab countries and recently extended a $35-million credit to Iraq. [redacted] 25X1

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